

DRAFT**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****Telecommunications Division
Public Programs Branch****RESOLUTION T-16690
April 17, 2003****R E S O L U T I O N**

RESOLUTION T-16690. APPROVAL OF THE CALIFORNIA HIGH COST FUND – B (CHCF-B) ADMINISTRATIVE COMMITTEE FUND FISCAL YEAR 2003-2004 BUDGET AND SURCHARGE RATE TO COMPLY WITH THE REQUIREMENTS OF PUBLIC UTILITIES CODE SECTIONS 270-281.

Summary

On May 9, 2002, The California High Cost Fund-B (CHCF-B) Administrative Committee (AC)¹ filed with the Executive Director of the California Public Utilities Commission (CPUC) its proposed budget for Fiscal Year (FY) 2003-04.

This resolution adopts a proposed budget of \$483.178 million for FY 2003-04 for the CHCF-B program. This resolution also sets the surcharge rate of 2.70% for the CHCF-B Administrative Committee² (AC) Fund effective July 1, 2003, until further revised by the Commission.

Background

On January 30, 2003, the CPUC in Resolution T-16685, adopted a budget of \$471.372 million for Fiscal Year (FY) 2002-03 for the CHCF-B AC Fund. The following table summarizes the adopted FY 2002-03 budget.

Table 1: Resolution T-16685 Summary (All Amounts in \$000)

	Resolution T-16685 (in thousands)
Claim Payments	\$ 469,000
Audits	\$ 2,100
Banking Fees	\$ 102
Committee Expenses	\$ 9
Admin Staff	\$ 141
Interagency Cost	\$ -
Other Expenses	\$ 20
	\$ 471,372

¹ Pursuant to Public Utilities Code §276 (a), the CHCF-B AC functioned as an Advisory Committee, not as an Administrative Committee, after September 30, 2001.

Resolution T-16654, dated October 25, 2001, adopted a surcharge rate of 1.42% effective July 1, 2002 for FY 2002-03. However, due to a transfer of \$250.9 million to the General Fund in September 2002, the surcharge rate was increased to 2.20% effective March 1, 2003 by Resolution T-16685. Resolution T-16685 was adopted on January 30, 2003. The maintenance of the surcharge rate at 1.42% until February 28, 2003 and its revision to 2.20% effective March 1, 2003 will be sufficient to fund the CHCF-B expenses of \$471.372 million for FY 2002-03. The estimated balance on June 30, 2003 is projected at \$7.254 million.

Notice/Protest

Notice of the AC's proposed budget letter request was published in the CPUC Daily Calendar on May 13, 2002. No comments or protests were received on the CHCF-B AC's proposed budget.

Discussion

In this Resolution, the Commission adopts the following:

- The proposed CHCF-B program budget for July 1, 2003 to June 30, 2004 in the amount of \$483.178 million.
- A surcharge rate of 2.70% beginning July 1, 2003 until further revised by the Commission.

Appendix A sets forth the FY 2003-04 CHCF-B budget as proposed by the Administrative Committee and the Telecommunications Division.

The CHCF-B proposed budget for FY 2003-04 takes into account the projected claims by the CHCF-B claimants for FY 2003-04. As of June 30, 2003, the financial liability for unpaid FY 2001-02 claims is estimated to be \$37.624 million. It is not clear when additional appropriation authority will be obtained. The FY 2003-04 budget assumes that additional appropriation and funding of \$39 million, including interest on unpaid amounts, will be received during FY 2003-04.

Based on the telecommunications surcharge revenue remittances for FY2001-02 and the forecast of the growth of surcharge revenue remittances for FY 2002-03, the estimated intrastate billings subject to surcharge are projected at \$19.846 billion for FY 2003-04. The forecast is based on a 4.36%³ growth on the FY 2002-03 estimated billing base of \$19.017 billion adopted in Resolution T-16685.

² Pursuant to Public Utilities Code §270 (a) (2), the fund name was changed to California High Cost Fund B – Administrative Committee Fund.

³ This growth rate reflects personal income percentage changes for California projected by UCLA Anderson on December 2002 for 2003 and 2004.

The existing CHCF-B surcharge rate of 2.20% is maintained until June 30, 2003. The revised surcharge rate of 2.70% will take effect on July 1, 2003. It is anticipated that the surcharge rate at 2.70% will be sufficient to fund the CHCF-B expenses of \$483.178 million. The projected balance on June 30, 2004 is \$22.582 million.

A summary of the budget as adopted in Resolution T-16685 and the proposed FY 2003-04 budget are shown below:

Table 2: Comparison of FY 2002-03 and FY 2003-04 Budgets
(All Amounts in \$000)

	Resolution T-16685 for FY 2002-03 (in thousands) (A)	Increase/ (Decrease) (B)	Proposed Budget for FY 2003-04 (D) = (A) + (B)
Claim Payments (b)	\$ 469,000	\$ 7,000	\$ 476,000
Audits	\$ 2,100	\$ -	\$ 2,100
Banking Fees	\$ 102	\$ (79)	\$ 23
Committee Expenses	\$ 9	\$ (7)	\$ 2
Admin Staff	\$ 141	\$ (38)	\$ 103
Intragency Cost	\$ -	\$ 4,900	\$ 4,900
Data Processing	\$ 20	\$ 30	\$ 50
Total	\$ 471,372	\$ 11,806	\$ 483,178

All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by June 20, 2003 revising the CHCF-B surcharge rate consistent with this Resolution.

Notice To Other Carriers, Advice Letter Filings, And Notice Of Availability

In Resolution T-15558 (dated June 8, 1994), we waived the notice requirements of General Order (G.O.) 96-A, Section III.G.1 to furnish competing utilities either public or private with copies of related tariff sheets. We did so because it did not appear to be in the public's interest for each utility to send and receive over two hundred notices advising them of regulatory changes about which they already know. Since that time nothing has happened to change our opinion, so we will waive this notice requirement for tariff changes which comply with this resolution.

Telecommunications utilities that are subject to the CHCF-B surcharge are required to file tariff schedules revising this surcharge for FY 2003-04 in compliance with this resolution and in accordance with the provisions of G.O. 96-A on or before June 20, 2003. These advice letters shall become effective July 1, 2003.

In the past, the Commission has served a hard copy of this resolution on all telecommunications carriers and parties on the service list of R.95-01-020/I.95-01-021. To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, the TD has informed the telecommunications

carriers and those on the service list of R.95-01-020/I.95-01-021 on the availability of the draft resolution as well as the conformed resolution, when adopted by the Commission website, www.cpuc.ca.gov.

Comments

In compliance with PU Code § 311 (g), the draft of this Resolution was mailed on March 18, 2003 to the CHCF-B claimants, the CHCF-AC, and the parties on the service list of R.95-01-020/I.95-01-021. A copy of the cover letter of this mailing was also sent to each of the Commission certificated telecommunications carriers informing parties that this draft resolution is available at the Commission's website www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm, and is available for public comments. In addition, the Telecommunications Division (TD) informed these parties of the availability of the conformed resolution at the same website.

Comments received on a timely basis will be addressed by the Telecommunications Division in this resolution.

Findings

1. In October 1999, Public Utilities Code (PU) Code §270-281 was codified as a result of the enactment of Senate Bill 669.
2. PU Code §270(b) requires the monies in California High Cost Fund-B (CHCF-B) Administrative Committee (AC) Fund may only be distributed pursuant to §270-281 and upon appropriation in the annual Budget Act.
3. On May 9, 2002, the CHCF-B AC submitted a letter request to the Executive Director seeking the approval of the CHCF-B Fiscal Year (FY) 2003-04 budget of \$468,779 million and a surcharge rate of 2.45%.
4. Based on the reported telecommunications revenues subject to surcharges from Fiscal Year (FY) 2001-02 and the forecasted growth of such surcharge remittance revenues, the estimated intrastate billings subject to surcharge are projected at \$19.846 billion for FY 2003-04.
5. The CHCF-B AC proposed budget for FY 2003-04 considers the projected claims by the CHCF-B claimants for FY 2003-04.
6. The proposed CHCF-B program budget for FY 2003-04 of \$483.178 million is reasonable and should be adopted.
7. The surcharge rate of 2.70%, effective July 1, 2003 until further revised by the Commission is reasonable, and should be adopted.

8. All certificated telecommunications carriers required to file tariffs with the Commission should file advice letters by June 20, 2003 revising the CHCF-B surcharge rate consistent with this Resolution. The Advice Letter should be effective July 1, 2003.
9. The draft of this resolution was mailed to the CHCF-B claimants, the CHCF-AC, and the parties of record in R.95-01-020 / I.95-01-021 on March 18, 2003. A copy of the cover letter of that mailing was also sent to each of the Commission certificated telecommunications carriers advising them of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site.

THEREFORE, IT IS ORDERED that:

1. The budget for the California High Cost Fund-B (CHCF-B) for Fiscal Year (FY) 2003-04 of \$483.178 million, as set forth in Appendix A of this resolution, is adopted.
2. A surcharge level of 2.70% is adopted effective July 1, 2003, until further revised by the Commission. All certificated telecommunications carriers in California shall apply this surcharge rate on their end-users' bills rendered on or after July 1, 2003.
3. All certificated telecommunications carriers required to file tariffs with the Commission should file advice letters by June 20, 2003 revising the CHCF-B surcharge rate consistent with this Resolution. The Advice Letter shall be effective July 1, 2003.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 17, 2003. The following Commissioners approved it:

William Ahern
Executive Director

APPENDIX A
CALIFORNIA HIGH COST FUND – B ADMINISTRATIVE COMMITTEE FUND
PROGRAM BUDGET FOR FY 2003-04
(\$000)

	FY 2002-03 Resolution T-16685	Proposed By Admin. Committee	FY 2003-04 Proposed By TD	Adopted	Note
A REVENUE SUBJECT TO SURCHARGES	\$ 19,017,199	\$ 20,000,000	\$ 19,845,588	\$ 19,845,588	
B SURCHARGE RATES					
Jul 1 through Dec 31, 2002	1.42%				
Jan 1 through Feb 28, 2003	1.42%				
March 1 through June 30, 2003	2.20%				
July 1, 2003 through June 30, 2004		2.45%	2.70%	2.70%	1
1 BEGINNING FUND BALANCE	\$ 443,972	\$ -	\$ 7,254	\$ 7,254	2
2 PRIOR PERIOD ADJUSTMENTS:					
a 01-02 Revenues Received in FY 2002-03	\$ 48,551				
b 01-02 Appropriation Balance	\$ (85,741)		\$ (37,624)	\$ (37,624)	3
3 REVISED BEGINNING FUND BALANCE (Sum of Ln 1 and Ln 2)	\$ 406,782	\$ -	\$ (30,370)	\$ (30,370)	
4 TRANSFER TO GENERAL FUND	\$ (250,900)	\$ -	\$ -	\$ -	4
5 AVAILABLE FUNDS (Sum of Ln 3 and Ln 4)	\$ 155,882	\$ -	\$ (30,370)	\$ (30,370)	
6 REVENUES					
a Surcharges (per telecommunications revenue on LnA and surcharge rates on Ln B)	\$ 319,489	\$ 490,000	\$ 535,831	\$ 535,831	
b Investment Income (per monthly projected cash flow)	\$ 3,255	\$ 534	\$ 298	\$ 298	5
c Others					
d Total Revenues (sum of a thru c)	\$ 322,744	\$ 490,534	\$ 536,129	\$ 536,129	
7 PROGRAM EXPENSES					
a Carrier Claims	\$ 468,000	\$ 462,260	\$ 475,000	\$ 475,000	6, 7
b Interest for Untimely Payment	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	8
c Prior year claim payments (for FY 2001-02)		\$ -	\$ -	\$ -	
d Administrative Committee-Per Diem	\$ 4	\$ 8	\$ 1	\$ 1	9
e Administrative Committee-Travel and Others	\$ 5	\$ 12	\$ 1	\$ 1	
f Financial Audit	\$ 100	\$ 15	\$ 100	\$ 100	
g Compliance Audit	\$ 500	\$ 500	\$ 500	\$ 500	
h Surcharge Remittance Audit	\$ 600	\$ 600	\$ 600	\$ 600	
i Claims Audit	\$ 900	\$ 600	\$ 900	\$ 900	
j Banking Fees	\$ 102	\$ 25	\$ 23	\$ 23	
k CPUC Staff and Administrative Costs	\$ 141	\$ 158	\$ 103	\$ 103	
l Data Processing	\$ 20	\$ 63	\$ 50	\$ 50	
n Intragency Cost		\$ 1,538	\$ 4,900	\$ 4,900	
o Total Program Expenses (sum of a thru n)	\$ 471,372	\$ 466,779	\$ 483,178	\$ 483,178	
8 FUND BALANCE AS OF JUNE 30 (Ln 5 + Ln 6d - Ln 7o)	\$ 7,254	\$ 23,755	\$ 22,582	\$ 22,582	

Notes:

1. Surcharge rate for FY 2003-04 as adopted in this Resolution takes effect on July 1, 2003 until further revised by the Commission.
2. Beginning of Year (BOY) balance on July 1, 2003 is same as End of Year (EOY) balance for FY 2002-03.
3. As of June 30, 2003, Financial liability for unpaid claims for FY 2001-02 is estimated to be \$37.624 million. Additional appropriation and funding for \$37.624 million will be required.
4. The amount of \$250.9 million was transferred to the General Fund in September 2002 in accordance with Chapter 379 Statutes 2002 (2002 Budget Act).
5. Investment income is assumed at approximately 2.0% on average monthly balance.
6. Includes \$11.5 million payment pursuant to Decision (D.) 00-11-039, Ordering Paragraph #2
7. Estimated claim payments to Pacific Bell, Verizon of California, Citizens Telecommunications Company of California, and COX Communications.
8. D.98-01-023 ordered that interest be paid to carriers whose claims are not processed within the prescribed time.
9. It is assumed that the CHCFB-AC will meet once during FY 2003-04.